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Budget Digest: CBO Report on Effects on Employment and Family Income of Increasing the Federal Minimum Wage

This week, the Congressional Budget Office (CBO) released a [report](#) on the effects of a federal minimum wage increase on employment and family income. The report considers several options for increasing the federal minimum wage, with a “\$15 Option” closely resembling House Democrats’ H.R. 582, the *Raise the Wage Act*, which is expected to be considered in the House later this month.

How Increasing the Federal Minimum Wage Could Harm Workers & Families.

In the report, CBO analyzed a “\$15 Option,” which would increase the federal minimum wage to \$15 per hour in 2025 and index future federal minimum wage increases to the growth in median wages.¹ This unprecedented 107-percent increase could, according to CBO, result in up to 3.7 million lost jobs by 2025. Additionally, real annual income for all families would be reduced by \$8.7 billion (2018 dollars) by 2025. This proposal could also impose higher prices for goods and services on families. As the report made clear, “increases in the prices of goods and services weakens families’ purchasing power.”²



How Increasing the Federal Minimum Wage Could Harm Job Creators & Consumers.

Increasing the federal minimum wage would also be harmful for businesses. CBO concludes that mandating a \$15 federal minimum wage would result in a reduction in business income, and make it more difficult for businesses to maintain prices for goods and services while retaining workers. As CBO notes, mandating a \$15 minimum wage would “[r]educe business income and raise prices as higher labor costs [would be] absorbed by business owners and then passed on to consumers.”³

Solutions That Work for Americans.

Instead of imposing such a dramatic increase in the federal minimum wage, lawmakers should focus on policies that create more jobs for hardworking Americans and continue to grow paychecks. As CBO’s report shows, increasing the federal minimum wage to \$15 would not achieve these dual objectives. Pro-growth legislation such as the *Tax Cuts and Jobs Act* has contributed to the current unemployment rate of 3.7 percent – a near 50-year low. Further, wages and salaries increased at the highest rate in over a decade in 2018.⁴ Republicans will continue to promote policies that expand opportunities, create jobs, and increase wages.

¹ <https://www.cbo.gov/system/files/2019-07/CBO-55410-MinimumWage2019.pdf>

² *Ibid.*

³ *Ibid.*

⁴ <https://www.cnbc.com/2018/10/31/wages-and-salaries-jump-by-3point1percent-highest-level-in-a-decade.html>